

Message Text

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PAGE 01 MEXICO 04866 150200Z

15

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SUBJECT: PEMEX ACTIVITIES 1977-1983.

REF: MEXICO 3194

1. SENIOR PEMEX OFFICIAL BRIEFED PETOFF AND BANKING GROUP ON PEMEX'S PROJECTED ACTIVITIES DURING THE NEXT ADMINISTRATION, 1977-1983. WHILE THESE WILL BE SUBJECT TO REVIEW AND ALTERATION, THEY DO PROVIDE A RELIABLE OUTLINE BY A KNOWLEDGEABLE SOURCE.

2. PEMEX PLANS A TOTAL BUDGET OF US\$36 BILLION. APPROXIMATELY \$12 BILLION WILL BE SPENT ON EQUIPMENT, \$4 BILLION OF IT ABROAD. HALF OF THE BUDGET WILL BE FINANCED FROM RETAINED EARNINGS AND HALF FROM GOM FUNDS AND COMMERCIAL SOURCES.

3. PEMEX EXPECTS TO CONTINUE EXPLORATION AND FIELD DELINEATION DRILLING IN BAJA CALIFORNIA, VERACRUZ, CHIAPAS, AND TABASCO STATES, AND IN THE GOLFO DE CAMPECHE. OFFSHORE PRODUCTION WILL REMAIN ABOUT 15 PERCENT OF THE TOTAL, ITS HISTORIC RATE. OFFSHORE PLATFORMS CURRENTLY COST PEMEX ABOUT \$60 MILLION EACH, AT LEAST TWICE THE COST OF MEXICAN BUILT ONSHORE RIGS. FOR OBVIOUS REASONS PEMEX WILL CONTINUE TO PUT
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PAGE 02 MEXICO 04866 150200Z

THE BULK OF ITS RESOURCES INTO LAND BASED OPERATIONS.

3. GASOLINE AND OTHER PRODUCT PRICES WILL BE INCREASED SOON BUT SIZE AND TIMING HAVE NOT YET BEEN DECIDED. RISE WILL REFLECT INCREASES IN PEMEX'S LABOR AND MATERIALS COSTS.

4. PEMEX PROFITS ON SALES OF REFINED PRODUCTS RANGE FROM 1.3 TO 1.5 TIMES MORE THAN PROFITS ON CRUDE SALES. PEMEX WILL CONTINUE TO PURCHASE TECHNOLOGY WHEREVER NECESSARY AND WILL EXPAND ITS ACTIVITIES, PARTICULARLY, IN PETRO-CHEMICALS. CHOICE OF NEW PRODUCTS WILL BE DETERMINED BOTH BY EFFORTS TO SUBSTITUTE DOMESTIC PRODUCTION FOR IMPORTS AND BY PROJECTED DEMAND ABROAD.

5. PEMEX HAS BEEN APPROACHED BY A NUMBER OF LATAM COUNTRIES, INCLUDING BRAZIL, ARGENTINA, AND URUGUAY, AND BY SEVERAL OF THE MAJORS WHO WERE INTERESTED IN CONCLUDING LONG-TERM SUPPLY CONTRACTS AT MARKET PRICES. CONSERVATIVE NATURE OF PEMEX'S PROVEN RESERVES FIGURES IS ONE OF THE REASONS IT IS CONSIDERED AN ATTRACTIVE SUPPLIER. NO CONTRACTS HAVE BEEN CONCLUDED BUT ALL PARTIES REMAIN ACTIVELY INTERESTED.

6. PEMEX HAS MANAGED TO KEEP PRODUCTIVITY RISING FASTER THAN SALARIES SINCE 1970. (PETOFF FEELS THAT THIS ASSERTION IS OPEN TO QUESTION. IF TRUE, IT IS MORE THE RESULT OF THE FECUNDITY OF THE REFORMA FIELDS THAN OF THE EFFICIENCY OF THE PEMEX MANAGEMENT.
THOMPSON

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